

Form 51-102F1
MANAGEMENT'S DISCUSSION & ANALYSIS

Portrush Petroleum Corporation
MD&A
Description of Business and effective Date of this Report

Portrush Petroleum Corporation ("Company") is a junior oil and natural gas exploration and production company. The Company is focused on its core properties: the Lenox project, located in the Michigan Basin of the state of Michigan, and the Mission River project, situated in Refugio and Goliad Counties, Gulf Coast, Texas. The Lenox project has two oil wells on production and the Mission River project has eight gas wells on production. Portrush is a reporting issuer publicly traded on the TSX Venture Exchange in Canada under the symbol PSH.

This discussion should be read in conjunction with the financial statements and related notes of the Company for the period ended December 31, 2006 (the "Financial Statements"). The information in this Management Discussion and Analysis ("MD&A") contains forward-looking information or statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The information contained in this report is made as of April 12, 2007.

2006 Highlights

- The Mission River field in Texas has eight wells on production and total production from the field for 2006 amounted to approximately 720,000 MCF of gas and 24,000 barrels of oil.
- The operator of the Mission River project completed two deep wells during the year to complete the initial Mission River program that drilled, completed and placed on production a total of 6 medium depth wells and the two deep wells. The Scanio-Shelton #6, drilled to a depth of 10,300 feet was placed on production in March, 2006. The Scanio-Shelton #7 drilled to a depth of 8,700 feet and was placed on production in October, 2006.
- Reported oil and gas revenues for the period ended December 30, 2006 was \$777,455 compared to \$593,598 for the same period in 2005, with a reported net loss of \$0.01 per share for the period in 2006 compared to a net loss of \$0.01 per share for fiscal 2005.

Properties of the Company

Mission River Project, Texas

In Texas, the Company has a joint venture with the McAlester Fuel Company of Houston, Texas to develop the Mission River Project, situated in Refugio and Goliad Counties, Gulf Coast, Texas. The Company owns a 10% working interest in the project.

The initial twelve (12) well program was designed to test bypassed oil and gas payzones in the traditional producing intervals from 5,000 to 6,400 feet; The first well was spudded on April 30th 2004 and seven additional wells have since been drilled and completed as gas wells. Eight wells are currently on production and the eighth, the Scanio-Shelton #7, a recently completed deep well commenced production in October, 2006. A gas pipeline runs through the property. Total production from the field for the month of December 2006 amounted to approximately 80,000 MCF of gas and 1,220 barrels of oil.

Lenox Project, Michigan

In June 2000, the Company acquired a 25% interest in two Silurian-Ordovician prospects, and associated leased lands (approximately 2,560 acres) located in St. Clair County, Cottrellville Township and Macomb County, Lenox Township, Southeast Michigan.

The Company focused its efforts on the Lenox project in Macomb County, SE Michigan where the Company earned a 22.5% working interest. At present the Company has two oil wells on production and excess gas is being flared.

The Michigan Basin contains extensive belts of organic reefs composed of carbonate rocks (Limestone and Dolomite) formed under shallow seas in the Silurian period. These oil and gas filled reefs are the principal target for exploration companies in the basin.

Exploration Risks

Oil and gas exploration and development involves significant risks. Few wells which are drilled are developed into commercially producing fields. Substantial expenditures may be required to establish reserves and no assurance can be given that commercial quantities or further reserves will be discovered or, if found, will be present in sufficient quantities to enable the Company to recover the costs incurred. The Company's estimates of exploration and production costs can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, and unusual or unexpected formations, pressures and work interruptions. There can be no assurance that actual exploration cost will not exceed projected cost.

Selected Financial Information

	Year-end 12/31/06	Year-end 12/31/05	Year-end 12/31/04
Revenues (Net)	777,455	593,598	442,368
General and Administrative Expenses (not including stock based compensation)	409,264	327,506	569,691
Stock Based Compensation Expenses	205,385	75,193	298,482
Write-off of receivable	Nil	Nil	(73,022)
Net Income (Loss) per share	(435,117) (0.01)	(160,248) (0.01)	(766,320) (0.02)
Working Capital	142,507	157,501	(286,850)
Oil & Gas Properties Property Expenditures	1,347,654	1,571,241	1,642,393
Long Term Liabilities	Nil	Nil	Nil
Shareholders' Equity Dollar Amount Number of Securities ⁽¹⁾	\$ 1,542,266 43,758,792	\$ 1,718,248 43,433,792	\$ 1,349,070 40,342,417

⁽¹⁾ During the year ended December 31, 2006, the Company returned to treasury and cancelled 300,000 common shares. During the year ended December 31, 2005, the Company cancelled 103,125 common shares that were held in escrow.

The Company's accounting policy is to record its resource properties at cost. Exploration and development expenditures relating to oil and gas properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

Results of Operations

During the year ended December 31, 2006, the Company recorded gross revenue of \$777,455 compared with \$593,598 in 2005. Well operating expenses were \$195,070 compared with \$221,664 in the previous year and the Company recorded depletion expenses of \$399,036 compared with \$122,269 in 2005.

General and administration expenses before non-cash expenses were \$409,264 compared with \$327,506 for the same period in 2005. The Company recorded a non-cash charge for stock-based compensation pertaining to the grant of stock options of \$205,385. General and Administrative expenses increased due to the additional costs associated with increased regulatory fees and requirements and the additional costs incurred for professional advisors and consultants relating to the review of gas storage projects that the Company has been investigating. The Company expects general and administrative expenses to remain relatively constant as the Company expects its level of activity to remain the same for the coming year. The Company paid or accrued to the President of the Company management fees of US\$6,000 per month.

Summary of Quarterly Results

		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
2004	Total Revenue	79,187	89,417	94,094	179,670
	Net Loss	(49,234)	(601,270) ⁽¹⁾	(249,247)	(133,431)
	Basic and diluted loss per share	(0.01)	(0.02)	(0.01)	(0.01)
2005	Total Revenue	157,958	146,856	173,355	115,429
	Net Loss	(2,425)	(113,576) ⁽²⁾	(2,207) ⁽³⁾	(42,040) ⁽⁴⁾
	Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)
2006	Total Revenue	150,811	228,986	205,098	192,560
	Net Income (loss)	7,868 ⁽⁵⁾	(234,176) ⁽⁶⁾	(40,487) ⁽⁷⁾	(167,322) ⁽⁸⁾
	Basic and diluted Income (loss) per share	0.01	(0.01)	(0.01)	(0.01)

During the quarter, the Company recorded stock based compensation expenses of (1) \$428,612, (2) \$Nil, (3) \$2,876, (4) \$42,645, (5) \$9,540, (6) \$168,225, (7) \$6,889, (8) \$20,731

The Company has increased its revenues over the last two years from its various producing wells. Administrative costs have remained relatively consistent over the last two years when stock-based compensation, a non-cash expense, is excluded from administrative costs.

Discussion of Fourth Quarter Results

Total revenues for the three month period ended December 31, 2006 decreased to \$192,560 when compared to the previous quarter. Revenues decreased because of a decrease in production from the Lenox Project in Michigan. The net loss for the three months ended December 31, 2006 increased to \$167,322 when compared to the net loss from the previous quarter. Most administration expenses were consistent with previous quarters. However, there was an increase in depletion expense, a non-cash charge to operations, during the quarter resulting from an adjustment to reserve estimates on the US oil and gas properties.

Liquidity

The Company does not have sufficient financial resources to undertake by itself the exploration and development of any additional projects. The payment of property payments and the development of the property interests will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, and public financing. There is no assurance that the Company will be successful in obtaining the required financing or that financing will be available on terms and conditions acceptable to the Company or that will not cause significant dilution to shareholders.

Investor Relations

On September 1, 2005, the Company entered into an investor relations agreement with Agora Investor Relations Corp. to provide shareholder communications services for the Company. Agora is paid US\$2,500 per month and was granted stock options to purchase 200,000 common shares at \$0.15 per share expiring September 1, 2007. In addition, on June 7, 2006, Allan McGirr joined the Company as an investor relations consultant. Mr. McGirr was granted stock options to purchase 300,000 common shares at \$0.18 per share expiring June 8, 2008 and is paid \$2,500 per month on a month to month basis.

The Company will continue its corporate awareness program with the aim of enhancing the Company's visibility and foster a clear understanding of its performance and strategic direction.

The Company uses AGORA (<http://www.agoracom.com>) to provide a dynamic interactive investor relations service thru the use of its IR HUB website. The website provides effective communication between the Company, its shareholders and the investment community through AGORA's Internet based investor relations system. The Company's IR HUB (<http://www.agoracom.com/IR/Portruth>) will allow both the Company and AGORA to communicate with all investors simultaneously, anytime and in real-time, while providing shareholders with equal access and complete transparency to all investor relations communications.

Financing, Principal Purposes and Milestones

During the year ended December 31, 2006, the Company raised \$93,750 through the issuance of 625,000 common shares at \$0.15 per share upon the exercise of previously issued stock options. These funds will be used for working capital.

Share Buy Back Program

The Company initiated a share buy-back program whereby the Company may purchase up to 2,200,000 (up to 5% of the Company's issued share capital) of its common shares over the next 12 months through the facilities of the TSX Venture Exchange. To date, the Company has purchased 300,000 shares for \$40,000. Subsequent to year end, these shares were cancelled.

Outstanding Share Data

The following table summarizes the outstanding share capital as at April 12, 2007:

Common shares	43,758,792
Stock options	3,630,000
Warrants	2,000,000

(See Note 4 of the financial statements for additional detail)

Capital Resources

The Company has not entered into a property option agreement that requires the Company to meet certain yearly exploration expenditure requirements.

Off-Balance Arrangements

The Company has not entered into any off-balance sheet financing arrangements.

Transactions with Related Parties

The Company paid or accrued management fees of US\$6,000 per month (2005 - CDN\$6,000 per month) to a director, Martin Cotter for his services as the President of the Company. In April, 1,000,000 stock options previously granted to Mr. Cotter to purchase shares at \$0.15 expired and were replaced by the grant to Mr. Cotter of 1,500,000 options at \$0.15 expiring April 10, 2009. In June, a director exercised options to purchase 100,000 at \$0.15 per share.

Amounts due to related parties are non-interest bearing, unsecured and have no specific terms of repayment. Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

Financial Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

New Accounting Standards

Management continually monitors the potential impact of new accounting pronouncements on the Company. There have been a number of pronouncements during the year; the ones that may impact the Company are as follows:

Financial Instruments

AcSB issued Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, which establish the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

AcSB issued CICA Handbook Section 3861 *Financial Instruments – Disclosure and Presentation*, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The presentation paragraphs deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The disclosure paragraphs deal with information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

Hedges

AcSB issued CICA Handbook Section 3865, *Hedges*, which describe when and how hedge accounting may be applied. The section is effective for years beginning on or after October 1, 2006.

Shareholders' Equity

AcSB issued CICA Handbook Section 1530, *Comprehensive Income*, which establishes standards for reporting and display of comprehensive income. This section is effective for years beginning on or after October 1, 2006.

AcSB also revised CICA Handbook Section 3250, *Surplus*, and reissued it as CICA Handbook Section 3251, *Equity*. The section is also effective for years beginning on or after October 1, 2006. The changes in how to report and disclose equity and changes in equity to provide consistency with the new requirements of Section 1530, *Comprehensive Income*.

AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Accounting Changes

AcSB issued CICA Handbook Section 1506. The main features of this new standard are (a) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (b) changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the section); (c) prior period errors are corrected retrospectively; and (d) new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. This new standard is effective for fiscal years beginning on or after January 1, 2007.

Changes to Internal Controls

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations. There has been no change in the Company's internal control over financial reporting during the review period that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

Subsequent Events

Subsequent to December 31, 2006, the Company:

- Announced that the operator of the Mission River project, in which the Company holds a 10% working interest, has decided to proceed with a new multi-well drilling program on the property.
- Announced a new development gas well in Ontario.
- Purchased an additional 50,000 of its own common for \$6,375 to return to treasury.